

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

**Release Number: 201623014**  
**Release Date: 6/3/2016**  
**Date: March 10, 2016**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

B= scholarship 1  
C= scholarship 2  
D= school  
f = dollar amount  
g= dollar amount  
h= dollar amount

**UIL:**

4945.04-04

Dear \_\_\_\_\_ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your programs to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships and educational grants. Based on the information you submitted, and assuming you will conduct your programs as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1) and your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, for 4945(g)(1), awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code section 117(b)).

**Description of your request**

Your letter indicates that you will operate two programs; one, the B, a scholarship program for graduating students and two, the C, a program funding hands on experiences in work fields of interest to high school students. B will be a program qualified under IRC section 4945(g)(1), and C qualified under 4945(g)(3). Both are described separately as follows.

### **Program for B:**

The purpose of B is to provide graduating college bound or trade school bound seniors at D with financial assistance to purchase a computer or to pay for text books at their attending university. The scholarships are publicized through the "Local Scholarship booklet", which is provided to all seniors through the guidance/career services offices at D.

All D seniors who are your members are eligible to apply for B. A senior who is not currently a member may join prior to submitting the application. Your membership is open to any student who agrees to join and pledge to remain drug free. At the time of this request, over 75% of the students at D had joined.

To be considered for B a student must submit an application, a cover letter, a goal statement, a financial aid statement, two letters of recommendation, a current high school transcript, a resume, and an essay which explains how being one of your members has positively impacted his or her high school experience. After receipt of the application materials they are scored and ranked by selection committee members and the scholarships are then awarded to the applicants with the highest scores.

You expect to make between two and six awards annually, of up to f dollars per award. The scholarships are to be a one-time benefit with no renewals possible and no educational loans are to be provided.

Award amounts are delivered by check to recipients after proof is provided that a computer/books/materials were purchased for post-secondary educational use. In addition; at the end of the first term the recipient must submit a written report (certified by the school's registrar) showing the courses taken and completed by the recipient.

If the report is not submitted within 90 days after the end of the first term, the recipient must, pursuant to the terms of a written agreement, refund the scholarship.

If the recipient receives the scholarship and does not attend school, pursuant to the terms of a written agreement, the recipient must refund the scholarship.

Should a scholarship recipient elect not to use the scholarship monies to purchase a computer for post-secondary educational use then funds are sent to the school that the recipient will attend to be applied to the recipient's educational expenses. If the recipient does not attend the school, pursuant to the agreement between the organization and the school, the funds are to be returned.

The selection committee is to consist of the three adult members of your Board of Directors and two members of the guidance department staff of D. The members of the selection committee are required to identify any students with whom they have a relationship. If an applicant is related to a member of the selection committee, that member would be removed from the selection committee and replaced by another person for that year.

### **Program for C:**

C will provide students with the opportunity to have hands-on experiences in the fields of their choice at various summer camps, schools, work places and facilities. As an example, aspiring doctors visit training hospitals, future biologists get behind-the-scenes access at national zoos, a student interested in a career in engineering, film making, and costume design attends a camp with a corresponding focus. The goal is for the student to experience firsthand what the career they dream about is actually like, amplifying their motivation and cementing a path of positive choices and productive citizenship. You provide funds to cover travel, housing, meals, camp costs and entry into museums and events.

The amounts of these scholarships will vary, depending on the costs associated with a particular experience. C will pay 80%-95% of a recipient's total costs associated with participating in the opportunity. Total costs average approximately g dollars per recipient. The recipient is responsible for the remaining 5%-20% of the cost, based on household financial information.

C is advertised and promoted to all D juniors in the fall of their junior year through advertisements in the school newspaper, in posters placed throughout D, during intercom announcements made by the D office staff, in presentations made by your members at informational lunches held for interested students, and by sending letters to parents and school staff.

All D juniors who are your members are eligible to apply for C. As with B, junior who is not currently a member may join prior to submitting the application.

Interested students must submit an application, two essays, a written recommendation from a teacher, a written recommendation from a member of the community, a current high school transcript, a resume, evidence that the student has explored the particular career path for which he or she seeks a scholarship experience, a statement of financial need, and a plan for sharing his or her scholarship experience with other students. These submissions are evaluated by your scholarship selection committee.

The selection committee scores and ranks all applicants. The scores of applicants for the same experience are combined and averaged and that group of applicants is then treated as one applicant. Scholarships are awarded to the applicants with the highest scores. The members of the selection committee are required to identify any students with whom they have a relationship. If an applicant is related to a member of the selection committee, that member would be removed from the selection committee and replaced by another person for that year.

You expect to make four to ten grants annually up to a total of approximately h dollars (including the cost of chaperones) per year. The amount of each grant depends on the actual cost of a particular experience. C is a one-time experience and no additional benefits are possible. In addition; no educational loans are to be provided.

All scholarship recipients are to be chaperoned by one of your employees or a member of your Board of Directors, or an employee of the School District with the exception of students traveling to attend a structured camp. In those cases, students may travel alone or with a parent. No funds are to be delivered to a student or chaperone. Transportation expenses, accommodation expenses, and camp fees are paid directly by you. If the chaperone is your employee, that employee pays for his or her own meals, museum entry fees, etc. If the student is traveling alone to a camp or with a parent, he or she must submit meal expense receipts to you in order to receive reimbursement for those expenses. If a student is involved in illegal or illicit activity during a trip, he or she will be sent home immediately as per D trip rules.

Each scholarship recipient is required to submit a report to you after each experience has been completed.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
  - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

**Other conditions that apply to this determination**

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grants distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements